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September 25, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-31

Dear Ms. Cottrell:

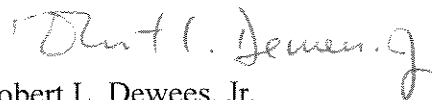
Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following information requests from the USW:

USW-1-3 Supplemental (CONFIDENTIAL ATTACHMENT)
USW-3-13 Supplemental (CONFIDENTIAL ATTACHMENT)
USW-5-3 (CONFIDENTIAL ATTACHMENT)

Also enclosed is a Motion for a Protective Order. The Attachments to these responses contain confidential and proprietary information and are subject to the non-disclosure agreement executed by the parties.

Please do not hesitate to telephone me or Patricia M. French, 508-836-7394, with any questions.

Very truly yours,



Robert L. Dewees, Jr.

RLD/tlm
Enclosure

cc: Caroline Bulger, Esq., Hearing Officer
Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President
As to Objection: Legal Counsel

**SUPPLEMENTAL
RESPONSE:**

USW 1-3: To the extent not provided in response to USW 1-2, from July 1, 2005 to date, for each NiSource affiliate, provide all employee complaints and/or Union grievances relating to or regarding the outsourcing of employee payroll services.

RESPONSE: Objection. The question seeks information irrelevant to this proceeding, where Bay State's service quality on behalf of its customers and where the relationship between the jurisdictional company, Bay State, and its Parent, NiSource, is in issue. Payroll is a non-core activity and does not impact the service quality issues of concern to the Department. Moreover, the question is a fishing expedition into the affairs of non-jurisdictional companies since it requests information regarding entities that have no demonstrated effect on Bay State's provision of core services.

Notwithstanding this objection, but rather specifically maintaining it, there have been no Union grievances filed for Bay State related to payroll services that are provided by IBM. The employee issues related to payroll activities are provided as Attachment USW 1-3 CONFIDENTIAL. Additionally, there have not been any payroll complaints or issues escalated to the NCSC Controller with responsibility for IBM's performance related to these payroll services.

Attachment USW 1-3 CONFIDENTIAL is confidential because it provides employee-specific information. Accordingly, the material is provided in single copy to the Hearing Officer under a Motion for Protective Treatment and may be provided to any other party upon execution of a mutually-agreeable confidentiality agreement.

SUPPLEMENTAL

RESPONSE: The employee issues related to all other NiSource affiliates associated with payroll activities are provided as Attachment USW 1-3

SUPPLEMENTAL CONFIDENTIAL. Only Bay State employee issues were identified in the original Attachment USW 1-3 CONFIDENTIAL.

Attachment USW 1-3 SUPPLEMENTAL CONFIDENTIAL is confidential because it provides employee-specific information. Accordingly, the material is provided in single copy to the Hearing Officer under a Motion for Protective Treatment and may be provided to any other party upon execution of a mutually-agreeable confidentiality agreement.

Table USW 1-3 SUPPLEMENTAL, below, demonstrates that the number of employee complaints and percentage of total complaints regarding payroll services between January 2006 and September 2006 is declining, which indicates that the initial difficulties associated with outsourcing this function to IBM are improving.

Table USW 1-3 SUPPLEMENTAL

Employee Issue Log - Jan. 2006 through Sep. 2006

	<u># of Issues</u>	<u>% of Total</u>
Jan	60	15%
Feb	56	14%
Mar	58	15%
Apr	49	13%
May	36	9%
Jun	27	7%
Jul	37	9%
Aug	43	11%
Sep	25	6%
Total	391	

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRD SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President
Sherry H. Gavito, Vice President, Governance NCSC
As to objection: Legal Counsel

SUPPLEMENTAL RESPONSE

USW 3-13: For each of the individuals identified in BSG's response to USW 1-16, Table USW 1-16(b), provide all documents informing, regarding, or relating to each listed individual's determination of whether NCSC should utilize IBM for customer service, billing, sales, and other functions. This includes, but is not limited to, all reports, memoranda, and e-mails regarding the same.

RESPONSE: Objection. USW 3-13 is overbroad and constitutes a fishing expedition. The due diligence process that was undertaken by the listed officers, as well as the other managers and directors and agents of NiSource, was extensive, as set forth in Bay State's response to USW 3-10. "All documents" in the hands of those individuals listed in USW 1-16 would only consist of a part of the substantive information reviewed and relied upon for decision-making purposes and would not justify the full recommendation made by those officers. An expansion of the request to include the documents informing, regarding or relating to the evaluation of those managers, consultants, agents, attorneys and other advisors who contributed to the knowledge-base of the individuals listed in USW-1-16 would be too burdensome to locate and gather, and has, at most, questionable relevance to the proceeding. Finally, such materials may contain information that constitutes a trade secret, constitutes a business secret and is confidential to both IBM and/or NiSource. Further, much of any such information is likely to relate to areas that are not subject to this investigation, such as finance and accounting services, human resources and information technology. In addition, such materials may include attorney mental impressions and attorney workproduct, as well as information that is protected under the attorney client privilege.

Notwithstanding this objection, but rather specifically maintaining it, please see Bay State's response to USW 3-10.

**SUPPLEMENTAL
RESPONSE:**

Notwithstanding this objection, but rather specifically maintaining it, Bay State will state as noted in Bay State's response to USW 03-10, NiSource

down-selected to three providers (IBM, Accenture and HP) after sending out RFPs to five outsourcing firms. HP chose to pull out of the process before NiSource began its due diligence.

Both IBM and Accenture were given each a week to perform due diligence on NiSource. Both IBM and Accenture had teams of 50 to 75 people performing due diligence on our potential areas to be outsourced. NiSource, in turn, performed extensive due diligence on both IBM and Accenture and had at least two to four people per area physically visit sites, requesting substantiating data etc. NiSource sent teams to the geographic areas which IBM or Accenture had indicated they would perform services. These geographic locales were in Canada, India, United Kingdom, Costa Rica, Brazil, Tulsa (Oklahoma) and Endicott (New York).

EquaTerra, in consultation with each NiSource team and using the NiSource team input and information, prepared a "SCORECARD" comparing IBM and Accenture and stating the preferred provider. A copy of that "SCORECARD" is attached hereto as CONFIDENTIAL Attachment USW 3-13 (A).

EquaTerra, assisted by the NiSource teams, then prepared a presentation providing what each Tower believed it would need to accept the other provider. A copy of that presentation is appended as CONFIDENTIAL Attachment USW 3-13 (B).

The individuals identified in Table USW-01-16(b) reviewed those two presentations and consulted with the NiSource and *EquaTerra* teams.

On April 25, 2005, NiSource's Executive Council met with *EquaTerra* and the NiSource outsourcing team to review the business case and pricing presented by each of IBM and Accenture, while taking into consideration the scorecards and the needs of the Towers for acceptance of the provider. Based on that review and the input gathered during this extensive process, the individuals identified in Table USW 01-16(b) made the decision to enter into the outsourcing agreement with IBM.

One important factor must be explained in light of the information contained in CONFIDENTIAL Attachments USW 03-13(A) and USW 03-13(B). The IT component of the outsourcing transaction was significant proportionally in relation to the entire outsourcing transaction and the other services included. Preferences identified by NiSource's IT Tower were influential to the ultimate partner accepted for business process transformation. This is demonstrated by CONFIDENTIAL Attachment USW 03-13(A).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTH SET OF INFORMATION REQUESTS FROM THE USW
D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

USW 5-3: Provide all documents informing, regarding, or relating to Mr. Bryant's analysis of whether BSG should utilize IBM for customer service, billing, sales, and other functions both prior to and after June 21, 2005.

RESPONSE: Please see the Company's response to USW 3-15 and USW 4-4 regarding the potential for utilizing IBM for call center and meter to cash functions in Springfield, MA. CONFIDENTIAL Attachment USW 5-3 provides an economic comparison between the current cost of the Brockton Meter to Cash functions and the cost that would be expected if IBM provided these services. This analysis estimates significant annual operating cost savings from 2007 through 2015 if IBM provided these services.

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Bay State Gas Company)
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_____)

D.T.E. 06-31

**MOTION OF BAY STATE GAS COMPANY
FOR A PROTECTIVE ORDER
OVER ATTACHMENT USW-1-3 SUPPLEMENTAL CONFIDENTIAL,
ATTACHMENT USW-3-13 SUPPLEMENTAL CONFIDENTIAL AND
ATTACHMENT USW-5-3 CONFIDENTIAL**

I. INTRODUCTION

Bay State Gas Company ("Bay State") requests that the Department of Telecommunication and Energy ("Department") grant protection from public disclosure, pursuant to G.L. c. 25, §5D, for Attachments to certain responses of Bay State to information requests propounded by the United Steelworkers of America ("USW") because such Attachments include confidential information.

In support of its request for a protective order, Bay State states as follows.

II. LEGAL STANDARD

Confidential information may be protected from public disclosure in accordance with G.L. c. 25, §5D, which states in part that:

The [D]epartment may protect from public disclosure, trade secrets, confidential, competitively sensitive or other proprietary information provided in the course of proceedings conducted pursuant to this chapter. There shall be a presumption that the information for which such protection is sought is public information and the burden shall be on the proponent of such protection to prove the need for such protection. Where the need has been found to exist, the [D]epartment shall protect only so much of the information as is necessary to meet such need.

The Department has frequently protected sensitive market information, and has determined that competitively sensitive information, such as price terms, can be protected. Standard of Review for Electric Contracts, D.P.U. 96-39, at 2 (1996). The Department has determined that price terms should be protected in gas supply contracts, including “reservation fees or charges, demand charges, commodity charges and other pricing information”. Colonial Gas Company, D.P.U. 96-18, at 4 (1996). The Department has also determined that information, if disclosed publicly, that could have a chilling effect on bidding processes, such as responses to Requests for Proposal (“RFP”), should be protected. Finally, the Department has recognized that customers and utility employees have a right to have protected personal information related to their accounts and their employment, and therefore has protected such information.

III. THE MATERIALS ARE PROPRIETARY AND CONFIDENTIAL AND WARRANT PROTECTION FROM DISCLOSURE.

A. The Attachment to Bay State’s Response to USW-1-3, Supplemental, labeled Attachment USW-1-3, Supplemental CONFIDENTIAL, is Appropriately Protected from Public Disclosure

In USW-1-3, the USW asks:

USW 1-3: To the extent not provided in response to USW 1-2, from July 1, 2005 to date, for each NiSource affiliate, provide all employee complaints and/or Union grievances relating to or regarding the outsourcing of employee payroll services.

In order to respond to the question, Bay State has provided a detailed attachment providing employee names and concerns about various payroll issues. See, Attachment USW-1-3, Supplemental CONFIDENTIAL. Employee concerns of this type are held confidentially within NiSource and only disclosed to those with a need to know. Any broader dissemination would chill the desire of employees to inform management of issues with the payroll process.

There would be no public benefit in disclosure of this material. Accordingly, because this material is held confidential within NiSource and because it is necessary to ensure employee confidentiality with regard to reporting of these concerns, protection of Attachment USW-1-3, Supplemental CONFIDENTIAL is proper under G.L. c. 25, §5D.

B. The Attachment to Bay State's Response to USW-3-13, Supplemental, labeled Attachment USW-3-13, Supplemental CONFIDENTIAL, is Appropriately Protected from Public Disclosure

In USW-3-13, the USW asks:

USW 3-13: For each of the individuals identified in BSG's response to USW 1-16, Table USW 1-16(b), provide all documents informing, regarding, or relating to each listed individual's determination of whether NCSC should utilize IBM for customer service, billing, sales, and other functions. This includes, but is not limited to, all reports, memoranda, and e-mails regarding the same.

In order to respond to the question, Bay State has provided an analysis of RFP responses, that led to the IBM /NiSource Agreement. The Department routinely protects as competitively sensitive, third party responses to utility competitive bidding processes, under the theory that public disclosure of bids will chill future participation in the competitive bidding process and will provide insight into the trade secrets of the utility decision making process. Chilling the competitive bidding process, furthermore, is likely to reduce the effectiveness of the process in the future and therefore could increase prices ultimately paid by customers for the services bid. Accordingly, since the analysis of the RFP responses contained in Attachment USW 3-13, Supplemental CONFIDENTIAL is confidential and competitively sensitive, protection is proper under G.L. c. 25, §5D.

C. The Attachment to Bay State's Response to USW 5-3, labeled Attachment USW 5-3 CONFIDENTIAL, is Appropriately Protected from Public Disclosure

In USW 5-3, the USW asks:

USW 5-3: Provide all documents informing, regarding, or relating to Mr. Bryant's analysis of whether BSG should utilize IBM for customer service, billing, sales, and other functions both prior to and after June 21, 2005.

The Attachment to this response contains a confidential comparison of the economics of the current cost of the Brockton Meter to Cash functions and the costs expected if IBM were to provide these services. This analysis includes competitively sensitive information about IBM costs to provide Meter to Cash services under the NiSource/IBM Service Agreement, which itself contains confidential information and has received protected treatment. Public disclosure would reveal confidential information concerning IBM's response to a competitive bidding process.

IV. CONCLUSION

For the reasons set forth above, Bay State requests that the Department protect from public disclosure Attachment USW 1-3, Supplemental CONFIDENTIAL, Attachments USW 3-13 Supplemental CONFIDENTIAL and Attachment USW 5-3 CONFIDENTIAL.

Respectfully submitted,
BAY STATE GAS COMPANY
By its attorneys,



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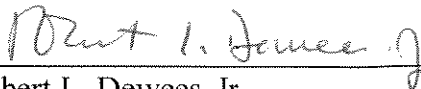
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Dated: September 25, 2006

CERTIFICATION

I certify that I served today a copy of the attached Motion of Bay State Gas Company for Protective Treatment by hand delivery, first class mail postage prepaid or electronically on the Department of Telecommunications and Energy and all parties on the service list on file with the Secretary of the Department of Telecommunications and Energy for this proceeding.

Dated at Boston, Massachusetts this 25th day of September, 2006.



Robert L. Dewees, Jr.